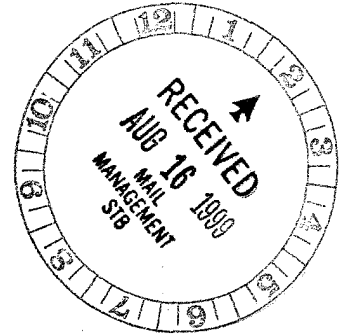


August 2, 1999

RECORDATION NO. 22344 FILED  
AUG 23 '99 9-00 AM



Mr. Vernon Williams  
Secretary  
Surface Transportation Board  
1925 K Street NW, Suite 700  
Washington, DC 20423

Re: Texas Railcar Leasing, Inc.

Dear Mr. Williams

I have enclosed an original and one certified copy of the documents described below to be recorded pursuant to Section 11303, Title 49 of the U. S. Code

The document described is a Security Agreement, being a primary document, dated August 2, 1999. A description of the equipment covered by the document is as follows:

1. Six (6) 4,460 cubic foot covered top hopper railcars identified as follows:

TRLX45019	TRLX45020	TRLX45023
TRLX45036	TRLX45041	TRLX45082
2. Debtor's rights, title and interest in and to Car Leasing Agreement No. 98/010040 (including Rider No. 0003) between Texas Railcar Leasing Company, Inc. and Applied Industrial Materials Corporation, dated June 1, 1999.

A fee of \$26.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Byron Calcote, Senior Vice President, McAllen National Bank, 1801 So. Col. Rowe Blvd, McAllen, Texas 78502.



MEMBER FDIC

**McALLEN NATIONAL BANK**

1801 SOUTH COL. ROWE BLVD. • P.O. BOX 5555

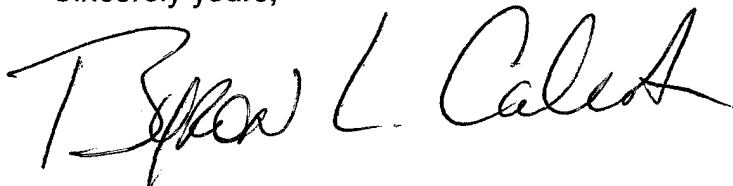
McALLEN, TEXAS 78502 • (956) 682-2265

FAX NUMBER • (956) 972-5418

A short summary of the document to appear in the index is as follows:

A security Agreement between Texas railcar Leasing Company, Inc., P.O. Box 1330, McAllen, Texas dated August 2, 1999, covering six (6) 4,460 cubic foot covered top hopper railcars and Debtor's rights, title, and interest in to Car Leasing Agreement No. 98/010040 between Texas Railcar Leasing Company, Inc. and Applied Industrial Materials Corporation dated June 1, 1999.

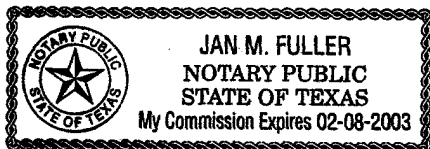
Sincerely yours,



Byron Calcote  
Senior Vice President

**STATE OF TEXAS  
COUNTY OF HIDALGO**

This Instrument was acknowledged before me on the 2<sup>nd</sup> day of August, 1999 by Byron Calcote, Senior Vice President of McAllen National Bank, McAllen, Texas on behalf of said corporation.



  
Notary Public in and for the State of Texas



MEMBER FDIC

**McALLEN NATIONAL BANK**

1801 SOUTH COL. ROWE BLVD. • P.O. BOX 5555

McALLEN, TEXAS 78502 • (956) 682-2265

FAX NUMBER • (956) 972-5418

AUG 23 '99

9-00 SECURITY AGREEMENT

DATE AUGUST 2, 1999

DEBTOR	TEXAS RAILCAR LEASING COMPANY, INC., A TEXAS CORPORATION	SECURED PARTY	MCALLEN NATIONAL BANK
BUSINESS OR RESIDENCE ADDRESS	P.O. BOX 1330	ADDRESS	1801 S. COL. ROWE BLVD.
CITY, STATE & ZIP CODE	MCALLEN, TX 78502	CITY, STATE & ZIP CODE	MCALLEN, TX 78503

1. **Security Interest and Collateral.** To secure the payment and performance of each and every debt, liability and obligation of every type and description which Debtor may now or at any time hereafter owe to Secured Party (whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several; all such debts, liabilities and obligations being herein collectively referred to as the "Obligations"), Debtor hereby grants Secured Party a security interest (herein called the "Security Interest") in the following property (herein called the "Collateral") (check applicable boxes and complete information):

(a) INVENTORY:

☐ All inventory of Debtor, whether now owned or hereafter acquired and wherever located;

(b) EQUIPMENT, FARM PRODUCTS AND CONSUMER GOODS:

☐ All equipment of Debtor, whether now owned or hereafter acquired, including but not limited to all present and future machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and recordkeeping equipment, parts and tools, and the goods described in any equipment schedule or list herewith or hereafter furnished to Secured Party by Debtor (but no such schedule or list need be furnished in order for the security interest granted herein to be valid as to all of Debtor's equipment).

☐ All farm products of Debtor, whether now owned or hereafter acquired, including but not limited to (i) all poultry and livestock and their young, products thereof and produce thereof, (ii) all crops, whether annual or perennial, and the products thereof, and (iii) all feed, seed, fertilizer, medicines and other supplies used or produced by Debtor in farming operations. The real estate concerned with the above described crops growing or to be grown is:

and the name of the record owner is: \_\_\_\_\_

☒ The following goods or types of goods: \_\_\_\_\_

(c) ACCOUNTS AND OTHER RIGHTS TO PAYMENT:

☐ Each and every right of Debtor to the payment of money, whether such right to payment now exists or hereafter arises, whether such right to payment arises out of a sale, lease or other disposition of goods or other property by Debtor, out of a rendering of services by Debtor, out of a loan by Debtor, out of the overpayment of taxes or other liabilities of Debtor, or otherwise arises under any contract or agreement, whether such right to payment is or is not already earned by performance, and howsoever such right to payment may be evidenced, together with all other rights and interests (including all liens and security interests) which Debtor may at any time have by law or agreement against any account debtor or other obligor obligated to make any such payment or against any of the property of such account debtor or other obligor; all including but not limited to all present and future debt instruments, chattel papers, accounts, and loans and obligations receivable.

☒ SEE ATTACHED SCHEDULE A.

(d) GENERAL INTANGIBLES:

☐ All general intangibles of Debtor, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, tradenames, customer lists, permits and franchises, the right to use Debtor's name, and tax refunds.

together with all substitutions and replacements for and products of any of the foregoing property not constituting consumer goods and together with proceeds of any and all of the foregoing property and, in the case of all tangible Collateral, together with all accessions and, except in the case of consumer goods, together with (i) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed to or used in connection with any such goods, and (ii) all warehouse receipts, bills of lading and other documents of title now or hereafter covering such goods.

2. **Representations, Warranties and Agreements.** Debtor represents, warrants and agrees that:

(a) Debtor is ☐ an individual, ☐ a partnership, ☒ a corporation and, if Debtor is an individual, the Debtor's residence is at the address of Debtor shown at the beginning of this Agreement.

(b) The Collateral will be used primarily for ☐ personal, family or household purposes; ☐ farming operations; ☒ business purposes.

(c) ☐ If any part or all of the tangible Collateral will become so related to particular real estate as to become a fixture, the real estate concerned is: \_\_\_\_\_

and the name of the record owner is: \_\_\_\_\_

(d) Debtor's chief executive office is located at \_\_\_\_\_ or, if left blank, at the address of Debtor shown at the beginning of this Agreement.

THIS AGREEMENT CONTAINS ADDITIONAL PROVISIONS SET FORTH ON PAGE 2 OF THIS DOCUMENT, ALL OF WHICH ARE MADE A PART HEREOF.

MCALLEN NATIONAL BANK

Secured Party's Name

TEXAS RAILCAR LEASING COMPANY, INC., A TEXAS CORPORATION

Debtor's Name

By BYRON L. CALCOTE  
Title: SENIOR VICE PRESIDENT

By [Signature]  
Title: PRESIDENT

By \_\_\_\_\_

Title: \_\_\_\_\_

**3. Additional Representations, Warranties and Agreements.** Debtor represents, warrants and agrees that:

(a) Debtor has (or will have at the time Debtor acquires rights in Collateral hereafter arising) absolute title to each item of Collateral free and clear of all security interests, liens and encumbrances, except the Security Interest, and will defend the Collateral against all claims or demands of all persons other than Secured Party. Debtor will not sell or otherwise dispose of the Collateral or any interest therein without the prior written consent of Secured Party, except that, until the occurrence of an Event of Default and the revocation by Secured Party of Debtor's right to do so, Debtor may sell any inventory constituting Collateral to Buyers in the ordinary course of business and use and consume any farm products constituting Collateral in Debtor's farming operations. If Debtor is a corporation, this Agreement has been duly and validly authorized by all necessary corporate action, and, if Debtor is a partnership, the partner(s) executing this Agreement has (have) authority to act for the partnership.

(b) Debtor will permit any Collateral to be located in any state (and, if county filing is required, in any county) in which a financing statement covering such Collateral is required to be, but has not in fact been, filed in order to perfect the Security Interest.

(c) Each right to payment and each instrument, document, chattel paper and other agreement constituting or evidencing Collateral is (or will be when arising or issued) the valid, genuine and legally enforceable obligation, subject to no defense, set-off or counterclaim (other than those arising in the ordinary course of business) of the account debtor or other obligor named therein or in Debtor's records pertaining thereto as being obligated to pay such obligation. Debtor will neither agree to any material modification or amendment nor agree to any cancellation of any such obligation without Secured Party's prior written consent, and will not subordinate any such right to payment to the claims of any creditors of such account debtor or other obligor.

(d) Debtor will (i) keep all tangible Collateral in good repair, working order and condition, normal depreciation excepted, and will, from time to time, replace any worn, broken or defective parts thereof; (ii) promptly pay all taxes and other governmental charges levied or assessed upon or against any Collateral or upon or against the creation, perfection or continuance of the Security Interest; (iii) keep all Collateral free and clear of all security interests, liens and encumbrances except the Security Interest; (iv) at all reasonable times, permit Secured Party or its representatives to examine or inspect any Collateral, wherever located, and to examine, inspect and copy Debtor's books and records pertaining to the Collateral and its business and financial condition and to send and discuss with account debtors and other obligors requests for verifications of amounts owed to Debtor; (v) keep accurate and complete records pertaining to the Collateral and pertaining to Debtor's business and financial condition and submit to Secured Party such periodic reports concerning the Collateral and Debtor's business and financial condition as Secured Party may from time to time reasonably request; (vi) promptly notify Secured Party of any loss of or material damage to any Collateral or of any adverse change, known to Debtor, in the prospect of payment of any sums due on or under any instrument, chattel paper, or account constituting Collateral; (vii) if Secured Party at any time so requests (whether the request is made before or after the occurrence of an Event of Default), promptly deliver to Secured Party any instrument, document or chattel paper constituting Collateral, duly endorsed or assigned by Debtor; (viii) at all times keep all tangible Collateral insured against risks of fire, including so-called extended coverage, and such other insuring of motor vehicles and other tangible Collateral as is customarily required in such amounts as Secured Party may reasonably request, with any loss payable to Secured Party to the extent of its interest; (ix) from time to time execute such financing statements as Secured Party may reasonably require in order to perfect the Security Interest and, if any Collateral consists of a motor vehicle, execute such documents as may be required to have the Security Interest properly noted on a certificate of title; (x) pay when due or reimburse Secured Party on demand for all costs of collection of any of the Obligations and all other out-of-pocket expenses (including in each case all reasonable attorneys' fees) incurred by Secured Party in connection with the creation, perfection, satisfaction, protection, defense or enforcement of the Security Interest or the creation, continuance, protection, defense or enforcement of the Agricultural, Commercial or Consumer Financing Security Agreement, including any litigation or bankruptcy or insolvency proceedings; (xi) execute, deliver or endorse any and all instruments, documents, assignments, security agreements and other agreements and writings which Secured Party may at any time reasonably request in order to secure, protect, perfect or enforce the Security Interest and Secured Party's rights under this Agreement; (xii) not use or keep any Collateral, or permit it to be used or kept, for any unlawful purpose or in violation of any federal, state or local law, statute or ordinance; and (xiii) not permit any tangible collateral, to become part of or to be affixed to any real property without first assuring to the reasonable satisfaction of Secured Party that the Security Interest will be prior and senior to any interest or lien claimed thereafter acquired by any mortgagee of such real property or the owner or purchaser of any interest therein. If Debtor at any time fails to perform or observe any agreement contained in this Section 3(d), and if such failure shall continue for a period of ten calendar days after Secured Party gives Debtor written notice thereof (or, in the case of the agreements contained in clauses (viii) and (ix) of this Section 3(d), immediately upon the occurrence of such failure, without notice or lapse of time), Secured Party may (but need not) perform or observe such agreement on behalf and in the name, place and stead of Debtor (or, at Secured Party's option, in Secured Party's own name) and may (but need not) take any and all other actions which Secured Party may reasonably deem necessary to cure or correct such failure (including, without limitation, the payment of taxes, the satisfaction of security interests, liens, or encumbrances, the performance of obligations under contracts or agreements with account debtors or other obligors, the procurement and maintenance of insurance, the execution of financing statements, the endorsement of instruments, and the procurement of repairs, transportation or insurance); and, except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, Debtor shall thereupon pay Secured Party on demand the amount of all moneys expended and all costs and expenses (including reasonable attorney's fees) incurred by Secured Party, in connection with or as a result of Secured Party's performing or observing such agreements or taking such actions, together with interest thereon from the date expended or incurred by Secured Party at the highest rate then applicable to any of the Obligations. To facilitate the performance or observance by Secured Party of such agreements or actions, Debtor hereby irrevocably appoints (with such appointment is coupled with an interest) Secured Party, or its delegate, as the attorney-in-fact of Debtor with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of Debtor, any and all instruments, documents, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Debtor under this Section 3 and Section 4.

(e) If this agreement covers farm products Debtor will provide Secured Party a written list of the buyers, commission merchants or selling agents to or through whom Debtor may sell his farm products. In this paragraph the terms farm products, buyers, commission merchants and selling agents have the meanings given to them in the Federal Food Security Act of 1955.

**4. Lock Box, Collateral Account.** If Secured Party so requests at any time (whether before or after the occurrence of an Event of Default), Debtor will direct each of its account debtors to make payments due under the relevant account or chattel paper directly to a special lock box to be under the control of Secured Party. Debtor hereby authorizes and directs Secured Party to deposit into a special collateral account to be established and maintained with Secured Party all checks, drafts and cash payments received in said lock box. All deposits in said collateral account shall constitute proceeds of Collateral and shall not constitute payment of any Obligation. At its option, Secured Party may, at any time, apply finally collected funds on deposit in said collateral account to the payment of the Obligations. To facilitate the performance or observance by Secured Party of such agreements or actions, Debtor hereby irrevocably appoints (with such appointment is coupled with an interest) Secured Party, or its delegate, as the attorney-in-fact of Debtor with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of Debtor, any and all instruments, documents, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Debtor under this Section 3 and Section 4.

**5. Collection Rights of Secured Party.** Notwithstanding Secured Party's rights under Section 4 with respect to any and all debt instruments, chattel papers, accounts, and other rights to payment constituting Collateral (including proceeds), Secured Party may at any time (both before and after the occurrence of an Event of Default) notify any account debtor, or any other person obligated to pay any amount due, that such chattel paper, account, or other right to payment has been assigned or transferred to Secured Party for security and shall be paid directly to Secured Party. If Secured Party so requests at any time, Debtor will so notify such account debtors and other obligors in writing and will indicate on all invoices to such account debtors or other obligors that the amount due is payable directly to Secured Party. At any time after Secured Party or Debtor gives such notice to an account debtor or other obligor, Secured Party may (but need not), in its own name or in Debtor's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any such chattel paper, account, or other right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any such account debtor or other obligor.

**6. Assignment of Insurance.** Debtor hereby assigns to Secured Party, as additional security for the payment of the Obligations, any and all moneys (including but not limited to proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of Debtor under or with respect to, any and all policies of insurance covering the Collateral, and Debtor hereby directs the issuer of any such policy to pay any such moneys directly to Secured Party. Both before and after the occurrence of an Event of Default, Secured Party may (but need not), in its own name or in Debtor's name, execute and deliver proofs of claim, receive such moneys, inspect checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the issuer of any such policy.

**7. Events of Default.** Each of the following occurrences shall constitute an event of default under this Agreement (herein called "Event of Default"): (i) Debtor shall fail to pay any or all of the Obligations when due or (if payable on demand) on demand, or shall fail to observe or perform any covenant or agreement herein binding on it; (ii) any representation or warranty by Debtor set forth in this Agreement or made to Secured Party in any financial statements or reports submitted to Secured Party by or on behalf of Debtor shall prove materially false or misleading; (iii) a garnishment, summons or a writ of attachment shall be issued against or served upon Debtor or any part of the property of the Debtor or any indebtedness owing to Debtor; (iv) Debtor or any guarantor of any Obligation shall (A) be or become insolvent (whether or not voluntarily) or (B) voluntarily file for protection under the Federal Bankruptcy Code or the United States Bankruptcy Code; or (C) if a corporation, partnership, or organization, be dissolved or liquidated or, if a partnership, suffer the death of a partner or if an individual, die; or (D) go out of business; (v) Secured Party shall in good faith believe that the prospect of due and punctual payment of any or all of the Obligations is impaired.

**8. Remedies upon Event of Default.** Upon the occurrence of an Event of Default under Section 7 and at any time thereafter, Secured Party may exercise any one or more of the following rights and remedies: (i) declare all unmatured Obligations to be immediately due and payable, and the same shall thereupon be immediately due and payable, without presentment or other demand; (ii) exercise and enforce any or all rights and remedies available upon default to a secured party under the Uniform Commercial Code, including but not limited to the right to take possession of any Collateral proceeding without judicial process or by judicial process (without a prior hearing or notice thereof, which Debtor hereby expressly waives), and the right to sell, lease or otherwise dispose of any or all of the Collateral, and in connection therewith, Secured Party may require Debtor to make the Collateral available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties, and if notice to Debtor of any intended disposition of Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in Section 10) at least 10 calendar days prior to the time of intended disposition or other action; (iii) exercise or enforce any or all other rights or remedies available to Secured Party by law or agreement against the Collateral, against Debtor or against any other person or property. Upon the occurrence of the Event of Default described in Section 7(iv)(B), all Obligations shall be immediately due and payable without demand or notice thereof. Secured Party is hereby granted a nonexclusive, worldwide and royalty-free license to use or otherwise exploit all trademarks, trade secrets, franchises, copyrights, patents and patents of Debtor that Secured Party deems necessary or appropriate to the disposition of any Collateral.

**9. Other Personal Property.** Unless at the time Secured Party takes possession of any tangible Collateral, or within seven days thereafter, Debtor gives written notice to Secured Party of the existence of any goods, papers or other property of Debtor, not affixed to or constituting part of such Collateral, but which are located or found upon or within such Collateral, describing such property, Secured Party shall not be responsible or liable to Debtor for any action taken or omitted by or on behalf of Secured Party with respect to such property without actual knowledge of the existence of any such property or without actual knowledge that it was located or to be found upon or within such Collateral.

**10. Miscellaneous.** This Agreement does not contemplate a sale of accounts, or chattel paper. Debtor agrees that each provision whose box is checked is part of this Agreement. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised separately or concurrently, at Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to, nor bar the exercise or enforcement of, any other such right or remedy. All notices to be given by Debtor shall be deemed sufficiently given if delivered or mailed by registered or certified mail, postage prepaid, to Debtor at its address set forth above or the most recent address shown on the records of Secured Party. Secured Party's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if Secured Party exercises reasonable care in physically safeguarding such Collateral or, in the case of Collateral in the custody or possession of a bailee or other third person, exercises reasonable care in the selection of the bailee or other third person, and Secured Party need not otherwise preserve, protect, insure or care for any Collateral. Secured Party shall not be obligated to preserve any rights Debtor may have against prior parties, to realize on the Collateral at all or in any particular manner or order, or to apply any cash proceeds of Collateral in any particular order of application. This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective heirs, representatives, successors or assigns and shall take effect when signed by Debtor and delivered to Secured Party, and Debtor waives notice of assignment of this Agreement to any third party. Secured Party's approval of the proposed assignment of this Agreement to Secured Party to execute this Agreement shall not affect or impair the validity or effectiveness of this Agreement. A carbon, photographic or other reproduction of this Agreement or of any financing statement signed by the Debtor shall have the same force and effects as the original for all purposes of a financing statement. This Agreement shall be governed by the laws of the state in which it is executed. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision, or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery, and performance of this Agreement and the creation and payment of the Obligations. If this Agreement is signed by more than one person as Debtor, the term "Debtor" shall refer to each of them separately and to both or all of them jointly; all such persons shall be bound both severally and jointly with the other(s); and the Obligations shall include all debts, liabilities and obligations owed to Secured Party by any Debtor solely or by both or several or all Debtors jointly or jointly and severally, and all property described in Section 1 shall be included as part of the Collateral, whether it is owned jointly by both or all Debtors or is owned in whole or in part by one (or more) of them.

## SCHEDULE A

1. Six (6) 4,460 cubic feet covered top hopper railcars identified as follows:

TRLX45019  
TRLX45036

TRLX45020  
TRLX45041

TRLX45023  
TRLX45082

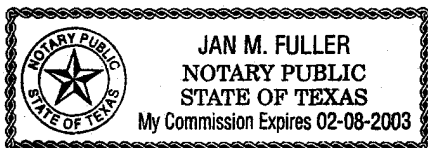
2. Debtor's rights, title and interest in and to Car Leasing Agreement No. 98/010040 (including Rider No. 0003) between Texas Railcar Leasing Company, Inc. and Applied Industrial Materials Corporation, dated June 1, 1999.

**Texas Railcar Leasing Company, Inc.**

By: \_\_\_\_\_

Henry Novell, President

This Instrument was acknowledged before me on the 2nd day of August, 1999 by Byron Calcote, Senior Vice President of McAllen National Bank, McAllen, Texas on behalf of said corporation.



Jan M Fuller  
Notary Public in and for the State of Texas